

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-01 TRSE-00 FRB-03 PA-01 PRS-01 USIA-06

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R 141715Z FEB 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 3939

INFO AMEMBASSY CARACAS

C O N F I D E N T I A L LIMA 1308

E.O. 11652: GDS

TAGS: ENRG, ETRD, PFOR, PE, VE

SUBJECT: VENEZUELA TIES INVESTMENT IN PERU TO OIL DEAL

REFS: LIMA 1169, CARACAS 1422

1. THE VENEZUELAN COMMERCIAL COUNSELOR TOLD AN EMBASSY OFFICER FEBRUARY 13 THAT NO FINAL AGREEMENT HAS YET BEEN REACHED BETWEEN PERU AND VENEZUELA FOR SHIPMENT OF VENEZUELAN OIL TO PERU AND THAT, IN FACT, THAT DEAL IS NOW IN JEOPARDY BECAUSE OF THE GOV IS INSISTING THAT THE GOP MAKE THEIR CASH PAYMENTS IN SOLES, RATHER THAN HARD CURRENCY. ACCORDING TO THE COUNSELOR, THE GOV HAS NO INTEREST IN OBTAINING MORE DOLLARS, BUT WISHES TO USE REPAYMENT IN SOLES FOR ITS PROJECTED JOINT VENTURE INTEREST IN THE BAYOVAR PHOSPHATE DEVELOPMENT IN NORTHERN PERU. THE GOP HAS SO FAR RESISTED THIS PROPOSAL. HE SAID THAT HE HAD BEEN DISCUSSING THIS PROBLEM WITH OFFICIALS OF THE MINISTRY OF ENERGY AND MINES HERE AND THAT NO RESOLUTION OF THE PROBLEM HAS YET BEEN REACHED.

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2. COMMENT: THE COUNSELOR'S COMMENTS INDICATE THAT THE GOV IS TRYING FAIRLY DIRECT PRESSURE TACTICS ON ITS PERUVIAN COUNTERPARTS TO GAIN AN INVESTMENT FOOT-HOLD IN ONE OF PERU'S MAJOR INDUSTRIAL PROJECTS. (THE GOP IS PLANNING A CRASH THREE-YEAR PROGRAM TO PRODUCE 800,000 TONS A YEAR OF PHOSPHATE ROCK FOR FERTILIZER USE.) ALTHOUGH, OF COURSE, IT IS NOT IMPORTANT WHETHER THE REPAYMENT IS IN DOLLARS OR SOLES SINCE THE GOV COULD CONVERT THE FORMER INTO THE LATTER, SOLES REPAYMENT WOULD BE ADVANTAGEOUS TO PERU. NOTWITHSTANDING THE IDEOLOGICAL SOLIDARITY ON THIRD WORLD ISSUES BETWEEN PERU AND VENEZUELA, WE HAZARD THE GUESS THAT THE NATIONALIST MILITARY GOVERNMENT HERE MAY WELL RESENT WHAT COULD APPAR TO THEM TO BE AN EFFORT VY BENEZUELA TO USE ITS OIL TO GAIN PARTIAL CONTROL OF THE NATURAL RESOURCES OF NEIGHBORING COUNTRIES. WHILE THE PERUVIANS MAY BE TEMPTED BY THE JUICY CARROT OF \$5.50 A BBL. (INITIAL CASH PAYMENT) FOR CRUDE, IT IS NOT AT ALL CLEAR WHETHER THEY WILL ACCEDE TO THESE VENEZUELAN TACTICS, SINCE THEY HAVE PLANNED THE BAYOVAR EXPANSION AS A STATE-RUN INDUSTRY WHICH HAS CONSIDERABLE FOREIGN EXCHANGE POTENTIAL.
DEAN

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